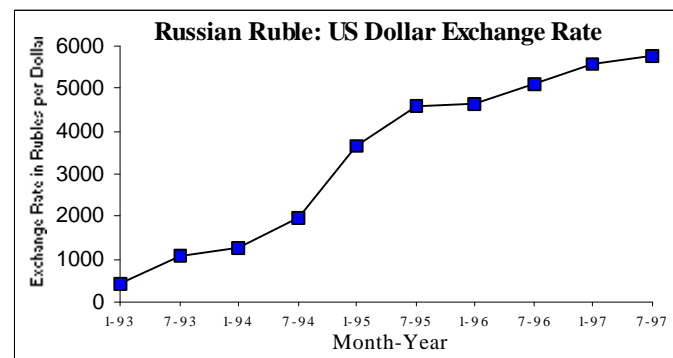
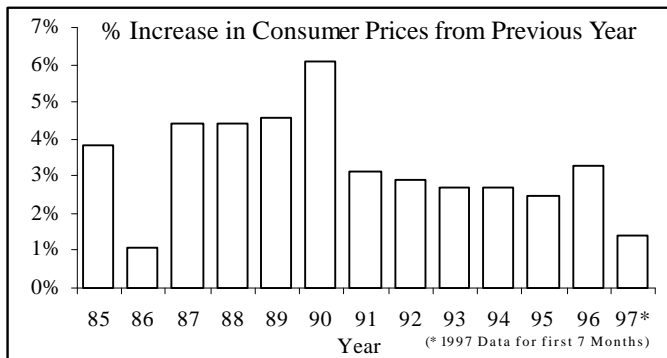


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PRICE INDEXES SHOW LACK OF INFLATIONARY PRESSURE

The Labor Department reported that the seasonally adjusted consumer price index rose 0.2% in July, a very minor increase, but the largest increase in 5 months. So far this year consumer prices have increased at a 1.5% annual rate, less than half the 3.3% rate for all of 1996 and lower than any rate since 1986. Another report by the Labor Department showed that producer prices for finished goods fell 0.1% in July, the seventh consecutive monthly decline, and have declined at an annual rate of 3.1% so far this year. With producer prices for intermediate products and raw materials also falling, it is clear that inflationary pressure is minimal and is likely to remain low in the near future.

RUSSIA TO ISSUE NEW CURRENCY

The Russian Government reported that it will issue a new ruble at the beginning of 1998, each worth 1,000 old rubles. Unlike previous redenominations of the Russian currency, which occurred during periods of massive inflation, the current action is taking place at a time when the ruble is one of the most stable currencies in Eastern Europe. Inflation is currently running at an annual rate of 12%, and the ruble has only lost 4% of its value against the US dollar since the beginning of this year. Russians will be given four years to exchange old currency for new.

PRODUCTION AND SALES SHOW HEALTHY GROWTH

The Federal Reserve reported strong growth in business equipment and durable goods production in July. Meanwhile, sales of light vehicles increased to an annual rate of 15.5 million vehicles and retail sales were 5.3% above levels of a year ago. At the same time industrial capacity utilization declined to 83.1%. Overall these statistics show healthy but non-inflationary levels of demand.

NORTH KOREAN FAMINE

Drought conditions in much of North Korea have destroyed about 3/4 of the corn crop contributing to severe food shortages that are causing famine and starvation. The United Nations estimates that about 800 thousand North Korean children suffer from serious malnutrition with another 80 thousand at immediate risk of dying of starvation and disease. This drought, along with 2 years of floods, has devastated the food producing capability of North Korea, and has necessitated millions of dollars of Western aid including \$52 million from the US this year.

FUEL PRICES (dollars/bbl) AND EXCHANGE RATES (foreign units/US dollars)

	<u>Aug 8</u>	<u>Aug 1</u>		<u>Aug 8</u>	<u>Aug 1</u>
Crude Oil (<i>Foreign</i>)	16.60	17.07	DM (<i>Germany</i>)	1.86	1.84
Crude Oil (<i>Domestic</i>)	19.53	20.28	Yen (<i>Japan</i>)	117.4	118.7
Pound (<i>UK</i>)	0.637	0.609	Peso (<i>Mexico</i>)	7.81	7.82
Ruble (<i>CIS</i>)	5808	5802	Won (<i>S. Korea</i>)	894	889

The Economic Bulletin is published by the Office of the Assistant Secretary of the Army (FM&C), SAFM-RB. Should you have any questions or comments please contact Dr. Robert Raynsford at (703)697-2281 (DSN 227-2281). This publication is available on the Internet World Wide Web (http://134.11.192.15/pubs/eco_blt/economic.htm). Contact WELTZLJ@HQDA.ARMY.MIL for more information.